

excise taxes and, therefore, is unable to predict the extent of any adverse effect on the Company's business or results of operations that may result from the imposition of such taxes

EMPLOYEES

The Company employs approximately 4,800 persons. The Company believes that its relations with its employees are satisfactory. Union contracts, expiring at various dates, cover salesmen in New York and hourly employees in McAdoo, Pennsylvania and Richmond, Virginia. The McAdoo agreement with the Teamsters Local 401 expires in December 1998 and the Richmond agreement with the Warehouse Employees Local 322 expires in January 1999. The Company has experienced no work stoppages due to labor problems in the last ten years.

SEASONALITY

The Company's business is generally non-seasonal. However, slight increases in cigar unit volume are experienced prior to Father's Day and the Christmas season.

CONTINGENT AND OTHER LIABILITIES RELATING TO ABEX'S PREDECESSOR BUSINESSES

In connection with the Abex Transactions, the Company entered into a transfer agreement (the "Transfer Agreement"), which allocated assets and liabilities, along with responsibility for various matters, between the Company and PCT. Pursuant to the Transfer Agreement, the Company assumed and agreed to indemnify PCT against, or to manage on PCT's behalf, all liabilities not relating to Abex's then existing aerospace business, including various contingent and other liabilities as set forth below. PCT assumed, and indemnified the Company against, all liabilities of the aerospace business and certain other liabilities. A discussion of the material liabilities for which PCT has agreed to indemnify the Company is set forth below. The Company has also assumed responsibility for various other matters relating to businesses formerly conducted by Abex or its predecessors.

Environmental Matters

Certain of Abex's former subsidiaries have been named as parties in several governmental enforcement and private actions seeking cleanup costs and/or damages for personal injury or property damage under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and related federal and state laws. In addition, certain of these subsidiaries have been identified by governmental authorities as being potentially responsible for cleanup costs and/or natural resource damages or have received inquiries from governmental authorities regarding their possible involvement with hazardous waste sites. One such site in Portsmouth, Virginia, which was formerly operated by Abex and a portion of which is owned by the Company, has been placed on the National Priorities List under CERCLA. The potential costs related to such matters and the possible impact thereof on future operations are uncertain due to, among other factors, the following: uncertainty regarding the extent of prior pollution; the complexity of laws and regulations and their interpretations, the varying costs and effectiveness of alternative cleanup technologies and methods, and the questionable and varying degrees of responsibility and/or involvement by Abex subsidiaries.

Under applicable state and federal law, including CERCLA, each potentially responsible party ("PRP") can be held jointly and severally liable for all cleanup and related costs at each site. For the reasons